

Message Text

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16

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 DODE-00 DOTE-00 FMC-01 SAL-01 CG-00 DLOS-06

OES-06 L-03 /094 W

----- 119603

R 130625Z JUL 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 5607

INFO SINGAPORE 4797

AMCONSUL MEDAN

AMCONSUL SURABAYA

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E.O. 11652: NA

TAGS: ETRD, ECON, ID

SUBJECT: FLOW OF CARGO FROM SINGAPORE TO INDONESIA BACK TO NORMAL

REF: A) JAKARTA 2970, B) SURABAYA 0135, C) SINGAPORE 1764

1. AFTER A DRASTIC FALLOFF IN SHIPMENTS FROM SINGAPORE TO INDONESIA THAT COINCIDED WITH THE BEGINNING OF THE GOI ANTI-SMUGGLING CAMPAIGN IN FEBRUARY (REFTELS), VOLUME SHIPPED IN JUNE WAS QUOTE BACK TO NORMAL UNQUOTE, ACCORDING TO INDONESIAN COMMUNICATIONS ATTACHE IN SINGAPORE AS REPORTED IN INDONESIAN PRESS THIS WEEK. ATTACHE CLAIMED RECOVERY DUE TO GOI EFFORTS TO LEGITIMIZE MUCH OF TRADE BETWEEN SINGAPORE AND INDONESIA THAT HAD HERETOFORE BEEN CARRIED OUT QUOTE BY SHIPPERS WITH NO GOOD INTENTIONS UNQUOTE. HE GAVE FOLLOWING DATE FOR CARGO SHIPMENTS FROM SINGAPORE TO INDONESIA THUS FAR THIS YEAR: JAN-120,500 MT; FEB -61,200 MT; MAR-85,000 MT; APR-100,500 MT; MAY-83,000 MT; AND JUNE-114,500 MT.

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2. ENFORCEMENT MEASURES ON INDONESIAN END, ACCORDING TO ATTACHE, INCLUDE A THOROUGH INVESTIGATION OF SHIPS ARRIVING INDONESIA FROM SINGAPORE; INCREASING SHARE OF CARGO CARRIED BY UNCORRUPTIBLE NATIONAL SHIPPING LINES; AND A SHIFT IN IMPORT FINANCING FROM LESS FORMAL MERCHANT LETTERS OF CREDIT TO MORE RIGIDLY DOCUMENTED BANK LETTERS OF CREDIT.

3. ATTACHE POINTED OUT DIFFICULTY OF CONTROLLING SMUGGLING BECAUSE OF DIFFERING INTERESTS OF TWO GOVERNMENTS, AND SEEMING LACK OF COOPERATION FROM GOS. HE CLAIMED, FOR EXAMPLE, THAT HE CAN CHECK ONLY ON VOLUME OF GOODS DESTINED FROM INDONEISAN FROM SINGAPORE, AND NOT ON KIND OR VALUE.

4. COMMENT: CYNICS BELIEVE RETURN OF TRADE VOLUME TO NORMAL INDICATES EITHER THAT GOI ANTI-SMUGGLING EFFORTS HAVE SOFTENED, OR THAT TRADERS HAVE FOUND WAY AROUND SYSTEM, RATHER THAN SHOWING ANY PARTICULAR GOI SUCCESS AT ENCOURAGING HIGH VOLUME BUT LEGITIMATE TRADE. INITIAL FORCE OF THE GOI CAMPAIGN LAST FEBRUARY, HOWEVER, INDEED CAUSED TRADERS TO FALL BACK AND TAKE STOCK OF APPARENT SERIOUSNESS OF GOI EFFORTS, AS TRADE FIGURES DEMONSTRATE. HARDEST HIT WERE INDONESIAN SMUGGLERS OF TEXTILES AND CONSUMER GOODS, AND SOME LOCAL MANUFACTURERS USING IMPORTED INPUTS. MANY IMPORTS FROM SINGAPORE--AND ELSEWHERE--WERE EMBARGOED IN WAREHOUSES WHETHER SHIPPED LEGITIMATELY OR NOT, AND MANY INDONESIAN BUSINESSES WERE FORCED INTO CRITICAL FINANCIAL POSITIONS. SOME SINGAPORE TRADERS AND MANUFACTURERS WERE AFFECTED BECAUSE SOME OF PRODUCTS THEY HANDLE ARE FOR INDONESIAN PURCHASERS. THE GOS, HOWEVER, WAS RELATIVELY UNCONCERNED WITH WHAT IT SAW AS AN INDONESIAN PROBLEM (REF C). SOME OF INDONESIAN MILITARY SUFFERED TOO FROM A SUDDEN REDUCTION OF ITS SHARE OF IMPORT TRANSACTIONS.

5. THE ANTI-SMUGGLING AND OTHER ANTI-CORRUPTION CAMPAIGNS ARE STILL BEING WAGED, WITH GOI GETTING MUCH DAILY PRESS PLAY FROM CASES OF A FEW UNFORTUNATES WHO HAVE BEEN SINGLED OUT FOR EXPOSURE. RETURN OF LIMITED OFFICIAL USE

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TRADE VOLUME PROBABLY REFLECTS INCREASE IN LEGITIMATE TRADE EVEN IF COST TO CONSUMERS HAS RISEN. INDONESIAN TEXTILE INDUSTRY HAS SEEN A FIRING OF MARKET FOR LOCALLY PRODUCED MATERIALS. WE ASSUME ALSO THAT SOME TRADERS HAVE FOUND WAYS TO RESUME IRREGULAR TRADE.
NEWSOM

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